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# HEALTH CARE PRICE TRANSPARENCY

**Empirical Evidence on Consumers and Health Care Prices**



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**Zach Y. Brown**

NH INSURANCE DEPARTMENT ANNUAL HEARING

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# WHY PRICE TRANSPARENCY?

- **Consensus that high prices are primary cause of high private health care cost**
  - **Majority of people say they do not compare prices before receiving medical care** (Public Agenda 2015)
  - **Hospitals have significant bargaining power and ability to set prices**
  - **Large variation in prices across providers even for standardized procedures**
    - **The same MRI can cost \$700 to over \$2,000 depending on the provider** (Cooper et al 2018)
    - **In NH, patients could save about 50% on medical imaging if they switched to lower-cost providers** (Brown 2019)
  - **Can price transparency reduce health care costs?**
    - **Many have emphasized the role of consumer shopping**
    - **However, there may be other important ways it could lower spending**
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# BROADER EVIDENCE ON PRICE TRANSPARENCY

- **Evidence from economics shows that price information has led to more competition in many markets**
  - **Prices *decline* when..**
    - **individuals comparison shop for life insurance online** (Brown & Goolsbee 2002)
    - **individuals comparison shop for cars online** (Scott-Morton, Zettelmeyer, & Silva-Risso 2006)
    - **supermarkets must post in-store prices online** (Ater & Rigbi 2020)
    - **gas stations are required to post prices** (Montag & Winter 2023)
  - **How about health care?**
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# PRICE TRANSPARENCY FOR HEALTH SERVICES

- **Currently many price transparency initiatives**
    - **Privately provided tools**
    - **State-level tools**
    - **Federal-level initiatives**
  - **Not all price transparency is equal**
    - **Price information is likely to only have a meaningful effect if it is comprehensive, accurate, and widely accessible**
    - **Many initiatives still lack at least some of these characteristics**
    - **Use of tools varies widely and appears quite modest in some cases**
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# NEW HAMPSHIRE'S PRICE TRANSPARENCY TOOL

Employer Resources

NH Insurance Market Report

Statewide Rates Report

NH HealthCost

Health Costs

Quality Of Care

A Guide To Health Insurance

Provider Listing

About

Home

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Health Costs

 / 

Medical

 / 

Cost Estimates

CT Scan of Head/Brain, Without Contrast

CPT Code 70450

CT scan (computed tomography) of the head or brain, without contrast. This cost estimate includes the costs for the facility (place where the procedure was performed, including supplies and staff) and the professional (provider who interprets the scan).

Compare Selected

Provider Name

Estimate of Procedure Cost

\$

Statewide Averages

SEARCH AGAIN

Medical Procedures

Procedure Name

CT Scan of Head/Brain, Without Contrast

High Complexity Physical Therapy Evaluation

Low Complexity Physical Therapy Evaluation

Manual Electrical Stimulation Therapy, 15 minutes

Manual Physical Therapy

Moderate Complexity Physical Therapy Evaluation

Neuromuscular Reeducation

Physical Therapy Re-Evaluation

Self-Care or Home Management Training

Therapeutic Activities

Therapeutic Exercises

Therapeutic Massage

Ultrasound Therapy

Walking Training, 15 minutes

Physical and Occupational Therapy - Occupational Therapy

Low Complexity Occupational Therapy Evaluation

Moderate Complexity Occupational Therapy Evaluation

Radiology and Imaging - CT Scans

CT Scan of Abdomen and Pelvis, With Contrast

CT Scan of Chest, With Contrast

CT Scan of Head/Brain, Without Contrast

- Quite easy to use relative to other tools
- Based on high quality data

| <div><div><div><div>NH HealthCost</div></div></div><div><div>Employer Resources</div><div>NH Insurance Market Report</div><div>Statewide Rates Report</div></div><div><div>Health Costs</div><div>Quality Of Care</div><div>A Guide To Health Insurance</div><div>Provider Listing</div><div>About</div></div></div> |                            |                                |                            |
|--|----------------------------|--------------------------------|----------------------------|
| Provider Name  | Estimate of Procedure Cost | Precision of the Cost Estimate | Typical Patient Complexity |
| \$ Statewide Averages \$729  |                            |                                |                            |
| <input type="checkbox"/> Steward Medical Group ><br>Methuen, MA  | \$312                      | ▼ Low                          | ● Medium                   |
| <input type="checkbox"/> Exeter Hospital ><br>Exeter, NH   | \$514                      | ● Medium                       | ● Medium                   |
| <input type="checkbox"/> Southern New Hampshire Health ><br>Nashua, NH   | \$638                      | ▼ Very Low                     | ● Medium                   |
| <input type="checkbox"/> Mary Hitchcock Memorial Hospital ><br>Lebanon, NH   | \$643                      | ▼ Low                          | ▲ High                     |
| <input type="checkbox"/> Elliot Hospital ><br>Manchester, NH   | \$787                      | ▼ Very Low                     | ● Medium                   |
| <input type="checkbox"/> Concord Hospital ><br>Concord, NH   | \$899                      | ● Medium                       | ▲ High                     |
| <input type="checkbox"/> Portsmouth Regional Hospital ><br>Portsmouth, NH  | \$2,213                    | ▼ Low                          | ▲ High                     |

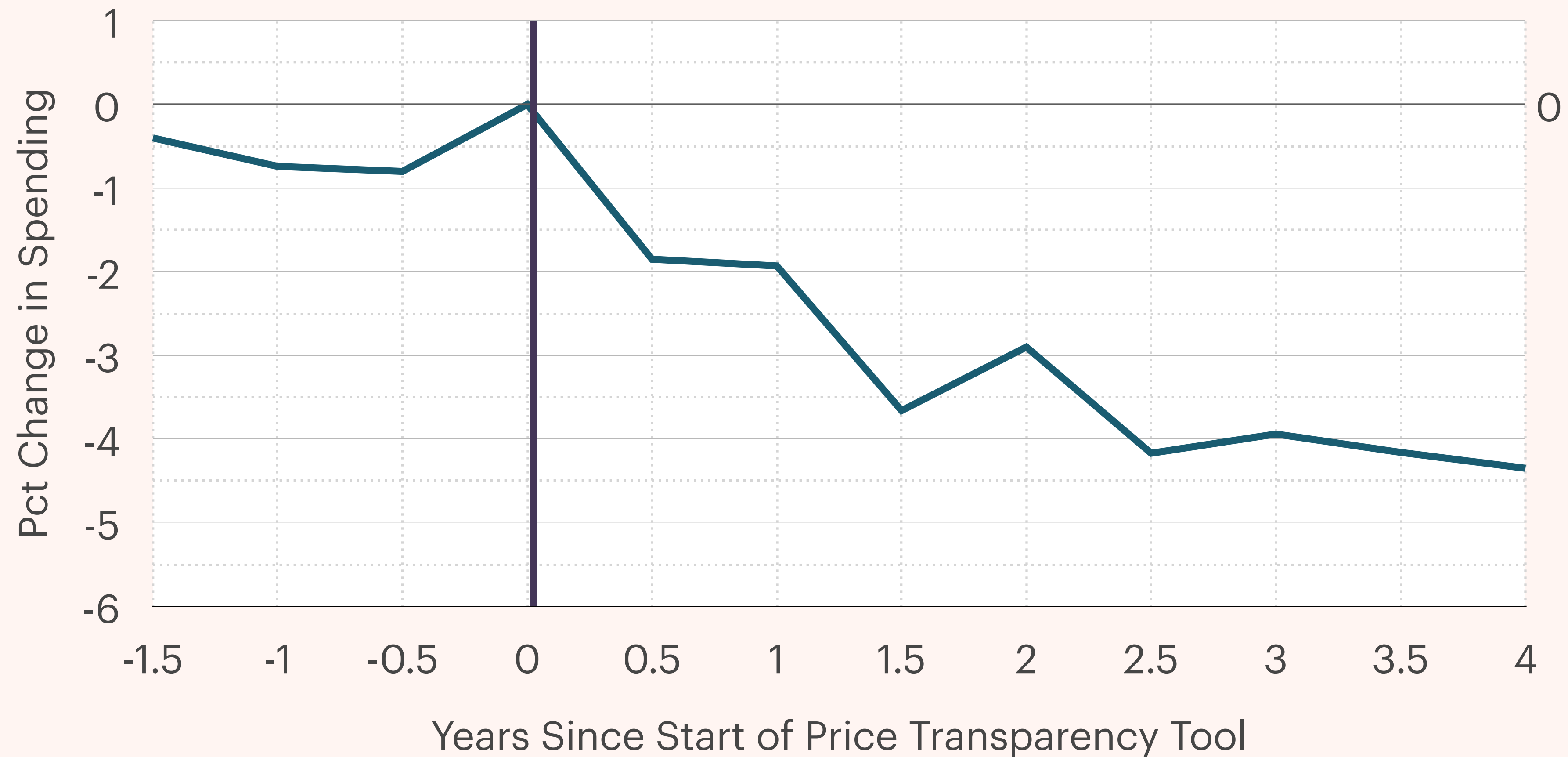
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# STUDY OF THE EFFECT OF PRICE TRANSPARENCY INTRODUCTION

- **60% of patients who used the NH website reported saving money** (Public Agenda 2017)
- **My work studies the effect of NH price transparency website around introduction in 2007**
- **Study focuses on medical imaging procedures**
  - **Can compare prices for procedures on the website versus similar procedures not on the website**
  - **The website has since added a number of additional procedures**
- **Examine effect on spending and prices using claims data from APCD**

# EFFECT OF PRICE TRANSPARENCY ON IMAGING SPENDING

- Compare spending pre-website vs. post-website, procedures on website vs. procedures not on website, and in-state vs. out-of-state



Source: Brown (2019)

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# EFFECT OF PRICE TRANSPARENCY IN NEW HAMPSHIRE

- **Evidence that there was significant savings for those that used the website**
    - **Out-of-pocket costs declined, especially when patients had high deductible (11% savings)**
    - **Some savings for health insurers as well**
    - **Other studies find evidence that private tools can lower cost for those that use them**  
(Whaley et al. 2014; Lieber 2017; Whaley 2019)
  - **Statistically significant decrease in negotiated rates**
    - **While many individuals do not use the tool, they still benefit**
    - **Larger effects in concentrated provider markets**
    - **Effect initially modest but appear to be growing over time**
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# HOW PRICE TRANSPARENCY COULD CONSTRAIN HOSPITALS PRICES

- **If at least some patients shop, might put pressure on hospitals**
- **Threat of regulatory scrutiny**
- **Threat of bad press**



## Higher costs of services snags Exeter Hospital's new deal with Anthem

By Joshua Clark

Posted Nov. 7, 2010 at 2:00 AM

The issue of cost of services is at the heart of negotiations between Anthem Blue Cross and Blue Shield and Exeter Hospital to reach an agreement on a provider contract.

Anthem claims costs for procedures at Exeter Hospital such as CT scans amount to twice the cost in some instances compared to peer hospitals like Elliot Hospital or Catholic Medical Center, according to the New Hampshire Department of Insurance's Web site.

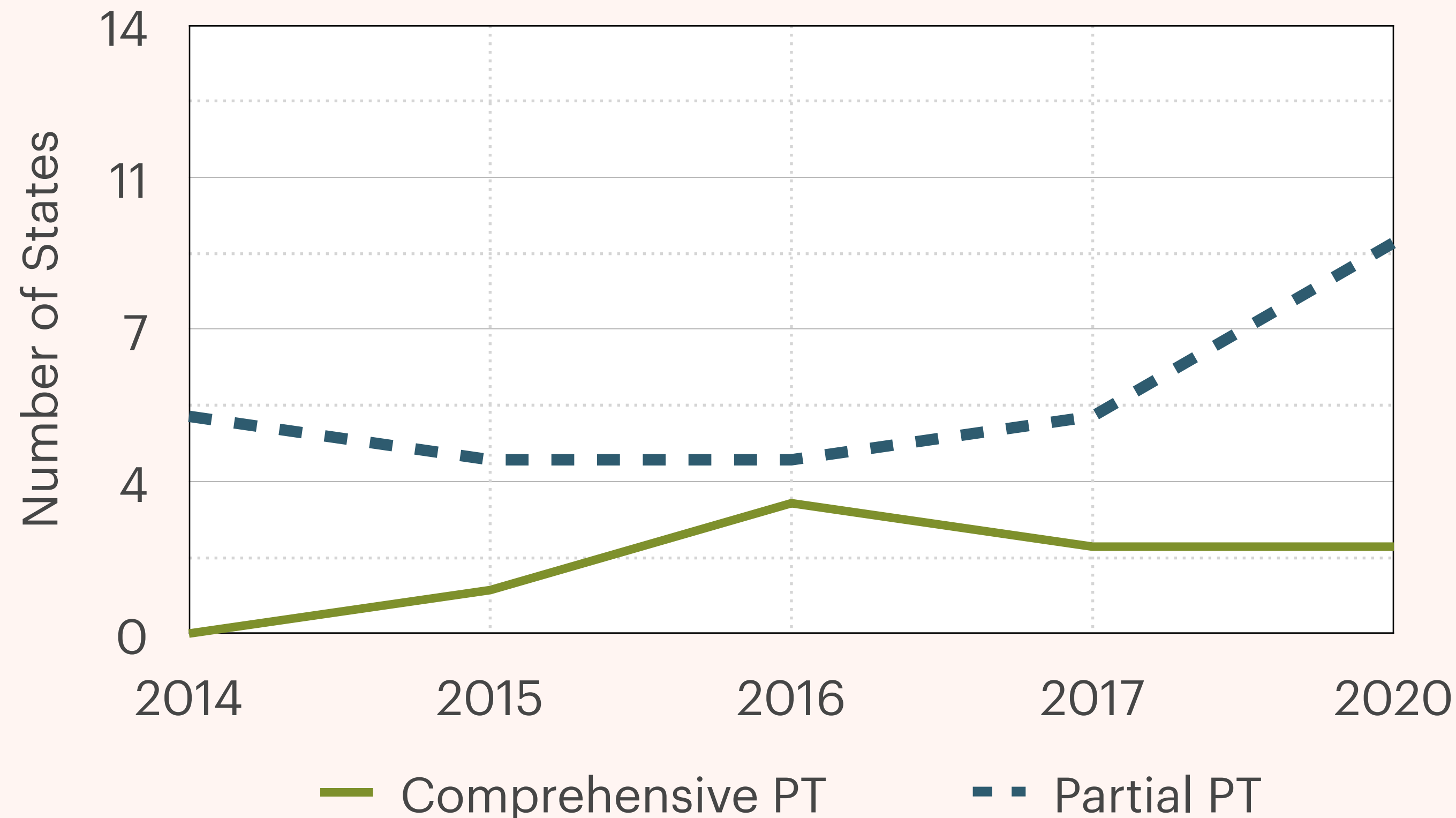
Utilizing information found at [www.nhhealthcost.org](http://www.nhhealthcost.org), Exeter Hospital's costs for a number of common procedures do exceed peer hospitals including Catholic Medical Center, Elliot, Frisbie Memorial, Parkland, Portsmouth Regional and Wentworth Douglass. Among them are procedures such as a chest CT, gall bladder surgery, pelvis ultrasound, vaginal birth and new baby, and arthroscopic knee surgery.

Developed by the state Insurance Department, the Web site provides consumers with information on the cost of health care services. Figures are based on paid claims data collected from the state's health insurers by the state's Department of Health and Human Services.

For example, a chest CT, estimated to cost \$2,478 at Exeter Hospital, was \$1,086 more than the peer average of \$1,392. The second-most-expensive hospital was Portsmouth Regional at \$2,224. A

# INCREASING NUMBER OF STATES WITH SOME FORM OF PRICE TRANSPARENCY

## States with Price Transparency Initiatives



Source: Catalyst for Payment Reform

- **Few states currently offer comprehensive price transparency tools**
- **However, growing number of states offer limited forms of price transparency**
- **Effect of federal level price transparency initiatives still TBD**

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# SCOPE FOR LARGER EFFECTS?

- **Is there scope for larger savings in the future?**
    - **Price transparency takes time to become the norm**
    - **Employers could use price information when designing benefits**
    - **Additional benefits as tools become more user-friendly and data improves**
  - **Effect of price transparency could be enhanced if combined with other interventions that**
    - **Promote provider competition**
    - **Incentivize patients to shop**
      - **High deductible health plans**
      - **Reference pricing** (Whaley et al. 2019)
    - **Incentivize physicians to refer patients to low-cost providers, e.g. capitation payments** (Chernew et al. 2020)
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